

# Inspector General

United States  
Department of Defense



General Fund Enterprise Business System Did Not  
Provide Required Financial Information

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## Acronyms and Abbreviations

AGF	Army General Fund
ASA(FM&C)	Assistant Secretary of the Army (Financial Management and Comptroller)
COA	Chart of Accounts
DCMO	Deputy Chief Management Officer
DoD COA	DoD Standard Chart of Accounts
ERP	Enterprise Resource Planning
FFMIA	Federal Financial Management Improvement Act of 1996
GFEBs	General Fund Enterprise Business System
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD
PMO	Program Management Office
SFFAS	Statement of Federal Financial Accounting Standards
SFIS	Standard Financial Information Structure
USSGL	U.S. Government Standard General Ledger



**INSPECTOR GENERAL**  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
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March 26, 2012

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF  
FINANCIAL OFFICER, DOD  
DEPUTY CHIEF MANAGEMENT OFFICER  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: General Fund Enterprise Business System Did Not Provide Required Financial  
Information (Report No. DODIG-2012-066)

We are providing this report for review and comment. The Army developed the General Fund Enterprise Business System to provide reliable financial information and comply with Federal financial reporting guidance. Despite costing the Army \$630.4 million as of October 2011, the General Fund Enterprise Business System did not provide DoD management with required financial information. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. The responses from the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and the Deputy Chief Management Officer on Recommendation 1, and the Assistant Secretary of the Army (Financial Management and Comptroller) comments on Recommendations 3.b and 3.c were responsive and require no further comments. We request that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, provide additional comments on Recommendation 2 and that the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments on Recommendations 3.a and 3.d by April 26, 2012.

If possible, send a .pdf file containing your comments to [audfmr@dodig.mil](mailto:audfmr@dodig.mil). Copies of management comments must have the actual signature of the authorizing official for your organization. We are unable to accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8938.

A handwritten signature in black ink, reading "Richard B. Vasquez".

Richard B. Vasquez, CPA  
Acting Assistant Inspector General  
Financial Management and Reporting



# Results in Brief: General Fund Enterprise Business System Did Not Provide Required Financial Information

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## What We Did

To determine whether the General Fund Enterprise Business System (GFEBS) provided DoD management with accurate and reliable financial information, we assessed whether GFEBS complied with the U.S. Government Standard General Ledger (USSGL) and the Standard Financial Information Structure (SFIS). The Army developed GFEBS to improve the reliability of financial information and comply with Federal financial reporting guidance.

## What We Found

GFEBS did not contain accurate and complete FY 2010 USSGL and SFIS information as required by the Federal Financial Management Improvement Act of 1996 and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), guidance. Specifically:

- the GFEBS Chart of Accounts (COA) did not contain 7 of the 153 USSGL accounts and 28 of the 233 DoD reporting accounts included in the FY 2010 Army General Fund Trial Balance;
- the Army did not maintain detailed program documentation to determine whether the Army properly used the 847 posting accounts in GFEBS;
- GFEBS did not consistently enter accurate and complete values at the transaction level for 11 of the 20 required USSGL and SFIS attributes reviewed in Special Ledger 95 or for 8 of the 20 required attributes in the Z1 ledger; and
- GFEBS did not provide sufficient trading partner information in the FY 2010 GFEBS Trial Balance.

This occurred because USD(C)/CFO personnel did not provide timely updates to the DoD Standard COA, and the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]) did not provide adequate oversight for maintaining the GFEBS COA or ensuring that GFEBS consistently entered values for all the attributes required by USSGL and SFIS. As discussed in the report, ASA(FM&C) has begun to address these issues.

As a result, GFEBS did not provide DoD management with required financial information. In addition, GFEBS may not resolve the Army General Fund's long-standing Financial Management Systems and Intragovernmental Eliminations material weaknesses, despite costing the Army \$630.4 million as of October 2011.

## What We Recommend

The USD(C)/CFO should implement procedures to streamline DoD COA updates. The ASA(FM&C) should not deploy GFEBS to additional users until it can ensure through reviews and validation that GFEBS consistently enters required attributes. In addition, ASA(FM&C) should update the GFEBS COA with the capability to post to the 28 DoD reporting accounts identified in this report.

## Management Comments and Our Response

Management comments were responsive for three of six recommendations. We request that the USD(C)/CFO provide additional comments on Recommendation 2 and that the ASA(FM&C) provide additional comments on Recommendations 3.a and 3.d. Please see the recommendations table on the back of this page.

## Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD	2	1
Deputy Chief Management Officer		1
Assistant Secretary of the Army (Financial Management and Comptroller)	3.a, 3.d	3.b, 3.c

**Please provide comments by April 26, 2012.**

# Table of Contents

<b>Introduction</b>	1
Audit Objective	1
Background on Financial Reporting and GFEBS	1
Army Did Not Have Effective Internal Controls for Implementing USSGL and SFIS Requirements	5
<b>Finding. Insufficient Implementation of USSGL and SFIS Requirements</b>	6
Chart of Accounts Was Incomplete	7
GFEBS Program Documentation Lacked Account Definitions	8
GFEBS Did Not Consistently Enter Required Attribute Values	9
GFEBS Contained Inadequate Trading Partner Information	11
GFEBS Did Not Contain Accurate and Complete USSGL and SFIS Information	12
Required Financial Information Was Not Provided	14
Department of the Army Comments on the Finding and Our Response	14
Recommendations, Management Comments, and Our Response	14
<b>Appendices</b>	
A. Scope and Methodology	18
Use of Computer-Processed Data	19
B. Prior Coverage of GFEBS	20
C. Army General Fund Material Weaknesses	22
D. DoD Reporting Accounts Not Contained in GFEBS FY 2010	
Chart of Accounts	25
E. Attributes Reviewed	27
F. Department of the Army Comments on the Finding	29
<b>Management Comments</b>	
Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD	33
Deputy Chief Management Officer	35
Department of the Army	37





# Introduction

## Audit Objective

Our objective was to determine whether the General Fund Enterprise Business System (GFEBS) provided DoD management with timely, accurate, and reliable financial information. Specifically, we assessed whether GFEBS complied with the U.S. Government Standard General Ledger (USSGL) and the Standard Financial Information Structure (SFIS). Determining compliance with this guidance did not require testing of the timeliness of the financial data. Consequently, we did not determine whether GFEBS provided DoD management with timely financial information. See Appendix A for our scope and methodology and Appendix B for prior coverage of GFEBS.

## Background on Financial Reporting and GFEBS

This review is the third in a series of audits addressing GFEBS and the first to address the functionality of the system. The first audit, DoDIG Report No. D-2008-041, “Management of the General Fund Enterprise Business System,” January 14, 2008, reported that the Army did not effectively plan the acquisition of GFEBS; use an appropriate method to contract for services; or prepare a realistic economic analysis for the GFEBS program. The report made 16 recommendations to address 3 major deficiencies in the planning and development of GFEBS. The second audit, DoDIG Report No. D-2011-072, “Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program,” June 15, 2011, showed that management actions were insufficient for correcting the GFEBS program planning, acquisition, and justification deficiencies identified in the first report.

## *Federal Financial Reporting Requirements*

The Chief Financial Officers Act of 1990 requires each executive agency to prepare and submit auditable financial statements annually. It also guides the improvement in financial management and internal controls to help ensure that the Government has reliable financial information and to deter fraud, waste, and abuse of Government resources. The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are in substantial compliance with:

- Federal financial management systems requirements,
- Federal accounting standards, and
- USSGL at the transaction level.

The FY 2010 National Defense Authorization Act requires DoD to develop a plan to ensure that the DoD financial statements “are validated as ready for audit by not later than September 30, 2017.” In October 2011, the Secretary of Defense directed significant changes in DoD financial audit goals, including calling for audit readiness of the Statement of Budgetary Resources in 2014, while still achieving full audit readiness by 2017. To contribute to its ability to achieve audit readiness by 2017, DoD is

modernizing its business and financial systems through the deployment of Enterprise Resource Planning (ERP)<sup>1</sup> systems.

### ***General Fund Enterprise Business System***

GFEBs is a financial management system the Army developed so that it can improve the timeliness and reliability of financial information and obtain a clean audit opinion. The Army developed the GFEBs program to meet a Secretary of Defense goal for the Military Services to comply with the Chief Financial Officers Act of 1990 and FFMIA. During FY 2010, the GFEBs Trial Balance contained \$51.7 billion in total assets and \$457.8 million in total liabilities.

The Army developed GFEBs as a Web-based system to support transformation of its accounting, finance, and budget processes and reduce legacy, stovepiped systems. The Army's primary program objectives for developing GFEBs were to:

- improve financial performance,
- standardize business processes,
- ensure that capability exists to meet the future financial management needs, and
- provide Army decisionmakers with relevant, reliable, and timely financial information.

The life-cycle cost estimate for GFEBs, which includes anticipated costs for the initial system investment and system operation and support, is \$1.4 billion.<sup>2</sup> The Army estimates it will spend an additional \$1 billion to phase out its existing systems. As of September 30, 2010, the Army deployed GFEBs to approximately 8,700 users at 14 locations. The Army deployed GFEBs to about 24,000 users at 105 locations as of June 2011. Once fully deployed, GFEBs will have more than 52,000 users at 211 locations worldwide.

### **GFEBs Ledger Implementation**

In April 2010, the GFEBs Program Management Office implemented a new ledger (Z1) in GFEBs to meet DoD reporting requirements, which include SFIS. Before implementing the Z1 ledger, GFEBs included two ledgers: the standard generic general ledger and the special ledger (SL 95). The standard generic general ledger did not meet Federal reporting requirements, and SL 95, which was designed to meet Treasury reporting requirements, did not meet SFIS requirements. The Z1 ledger was not available for users to view transaction-level data until June 3, 2011.

### ***USSGL and SFIS Requirements***

The Treasury Financial Management Service publishes the USSGL, which provides a uniform Chart of Accounts (COA) and technical guidance used in standardizing Federal

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<sup>1</sup> ERP systems are software systems designed to support and automate key operational processes.

<sup>2</sup> The Army's Economic Analysis, November 2009, estimated the life cycle cost through FY 2022 to be \$1.4 billion.

agency accounting. DoD established SFIS to standardize financial reporting across DoD and comply with USSGL at the transaction level. SFIS is a comprehensive data structure that supports requirements for budgetary, financial, cost-performance, and external reporting across DoD. SFIS requires all systems containing financial information to be able to capture and transmit SFIS data or demonstrate a crosswalking capability to the SFIS format. In addition, SFIS requires compliance with the SFIS USSGL transaction library and DoD Standard COA (DoD COA).

### **USSGL Requirements**

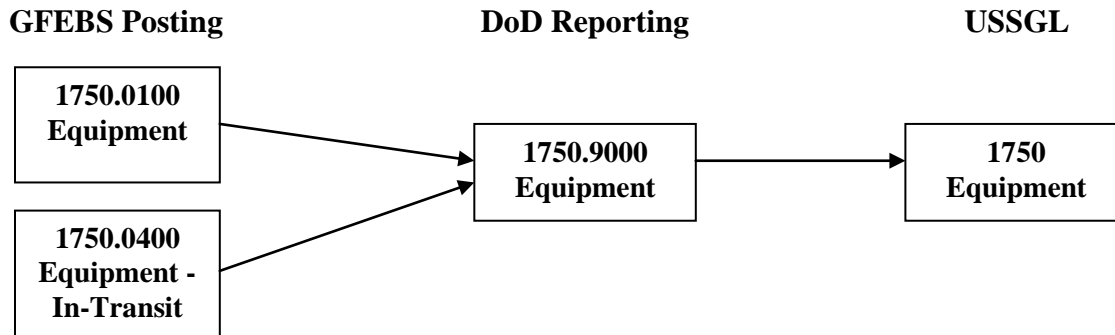
The USSGL COA section provides the basic structure of the USSGL, which consists of four-digit USSGL account numbers. Agencies may expand the four-digit numbering system to as many digits as necessary to accommodate agency-specific requirements. However, subsidiary accounts must summarize or “roll up” to the four-digit USSGL accounts. The USSGL also includes an account description section, which provides basic information about each USSGL account, including the account title, number, normal balance (debit or credit), and definition.

Agencies’ systems must capture financial information at the transaction level by recording transactions using the USSGL four-digit account plus attributes. USSGL attributes further describe a USSGL account in order to meet a specific reporting requirement. USSGL defines which values are possible valid choices within an attribute. For example, the USSGL contains a Federal/Non-Federal Indicator attribute. This attribute indicates the type of entity involved in transactions with the reporting entity. USSGL provides two possible values: “F,” indicating a Federal entity, or an “N,” indicating a non-Federal entity.

### **SFIS Requirements**

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), requires DoD systems supporting financial transactions to implement SFIS. The USD(C)/CFO memorandum, “DoD Standard Chart of Accounts in Standard Financial Information Structure (SFIS),” August 13, 2007, requires the use of a DoD COA in general ledger accounting systems. The DoD COA is comprised of USSGL accounts (first four digits) and DoD standard account extensions (last four digits) to provide the detail required for budgetary, financial, and management reports. Component general ledger accounting systems may employ more detail in their posting accounts using the last four digits. Each posting account must aggregate to one USSGL and DoD account. See the Figure for an example.

**Figure. Account Relationships**



### ***Responsibilities***

USD(C)/CFO is the Department's senior leader for financial management and is responsible for achieving financial visibility across DoD. The strategic goal for financial visibility is to have immediate access to accurate and reliable financial information (planning, programming, budgeting, accounting, and cost information) to improve financial accountability and efficient and effective decisionmaking. Four supporting performance objectives define the capabilities that must be acquired or enhanced to achieve the financial visibility strategic goal:

- Produce and interpret relevant, accurate, and timely financial information that is readily available for analysis and decisionmaking;
- Link resource allocation to planned and actual business outcomes and warfighter missions;
- Produce comparable financial information across organizations; and
- Achieve audit readiness and prepare auditable financial statements.

The path to achieving these goals and objectives is outlined in the DoD Financial Improvement and Audit Readiness Plan, which has three basic goals:

- Achieve and sustain audit readiness;
- Achieve and sustain unqualified assurance on the effectiveness of internal controls; and
- Attain FFMIA compliance for financial management systems.

### ***Army Financial Reporting***

The FY 2010 Army General Fund (AGF) Financial Statements reported assets of \$379.3 billion, liabilities of \$63.8 billion, and budgetary resources of \$331.8 billion. Auditors have issued disclaimers of opinion on the AGF financial statements each year, including FY 2010, because the lack of an integrated, transaction-driven, financial management system prevents the Army from preparing auditable financial statements. Therefore, the Army needed to implement a modern financial capability to streamline its current portfolio of overlapping and redundant financial and accounting systems.

The FY 2010 AGF Financial Statements reported 14 material weaknesses<sup>3</sup> related to the Army's financial reporting (see Appendix C for a description of the 14 material weaknesses). According to the Army's FY 2010 Statement of Assurance on internal controls, the Army was modernizing its financial management systems by implementing ERP systems, one of which is GFEBS. The FY 2010 Statement of Assurance also indicated that when fully deployed, GFEBS, combined with two other Army ERP systems, would serve as the foundation for a FFMIA-compliant systems environment. Furthermore, Deputy Chief Management Office personnel stated that achieving Army auditability would require collaboration among the Army's ERP systems.

## **Army Did Not Have Effective Internal Controls for Implementing USSGL and SFIS Requirements**

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in maintaining the GFEBS COA and entering the required attributes at the transaction level. The Army did not have effective procedures for ensuring the GFEBS COA was complete or documenting the purpose of the accounts. In addition, the Army did not ensure that GFEBS entered all the required attributes at the transaction level. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

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<sup>3</sup> A material weakness is a significant deficiency, or a combination of significant deficiencies, resulting in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

## Finding. Insufficient Implementation of USSGL and SFIS Requirements

The General Fund Enterprise Business System (GFEBS) did not contain accurate and complete FY 2010 U.S. Government Standard General Ledger (USSGL) and Standard Financial Information Structure (SFIS) information as required by the Federal Financial Management Improvement Act of 1996 and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), guidance. Specifically:

- the GFEBS Chart of Accounts (COA) did not contain 7 of the 153 USSGL accounts and 28 of the 233 DoD reporting accounts included in the FY 2010 Army General Fund (AGF) Trial Balance;
- the Army did not maintain detailed program documentation to determine whether the Army properly used the 847 posting accounts in GFEBS;
- GFEBS did not consistently enter accurate and complete values at the transaction level for 11 of the 20 required USSGL and SFIS attributes<sup>4</sup> reviewed in Special Ledger 95 (SL 95) or for 8 of the 20 required attributes in the Z1 ledger; and
- GFEBS did not provide sufficient trading partner information<sup>5</sup> in the FY 2010 GFEBS Trial Balance.

GFEBS did not contain accurate and complete USSGL and SFIS information because:

- the USD(C)/CFO did not provide timely updates to the DoD COA, and
- the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]) did not provide adequate oversight for maintaining the GFEBS COA or ensuring that GFEBS consistently entered values for all the attributes required by USSGL and SFIS.

As a result, GFEBS did not provide DoD management with required financial information. In addition, GFEBS may not resolve the AGF's long-standing Financial Management Systems and Intragovernmental Eliminations material weaknesses, despite costing the Army \$630.4 million as of October 2011. Therefore, the Army may need to spend more funds than originally budgeted for GFEBS to produce auditable financial statements and provide decisionmakers with accurate and reliable financial information.

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<sup>4</sup> Attributes further describe USSGL and DoD accounts to meet specific reporting requirements.

<sup>5</sup> The trading partner attribute indicates the Treasury Department Code of the Federal entity involved in the transaction with the Army. Federal Government entities are required to eliminate intragovernmental transactions from consolidated financial statements to prevent overstating accounts for intra/inter-entity activity. Intragovernmental transactions are any transactions involving sales, services, or transfers within or between two entities of the Federal Government.

## Chart of Accounts Was Incomplete

Although GFEBS will be the Army's general ledger for the AGF Financial Statements, the Army developed and deployed GFEBS without incorporating accounts from the USSGL and DoD COAs. Specifically, the GFEBS COA did not contain 7 of the 153 USSGL accounts or 28 of the 233 DoD reporting accounts included in the FY 2010 AGF Trial Balance.

To ensure that GFEBS provides the capability to record all AGF transactions, the GFEBS COA should have included all accounts reported in the FY 2010 AGF Trial Balance. In addition, detailed program documentation did not exist to determine whether the Army properly used the 847 posting accounts in GFEBS.

### ***GFEBS Chart of Accounts Excluded Some USSGL Accounts***

GFEBS did not contain 7 of the 153 USSGL accounts that the Army used for financial reporting. The Army created GFEBS to capture general ledger data into a single system; however, GFEBS did not contain all the USSGL accounts necessary for AGF reporting.<sup>6</sup> ASA(FM&C) personnel stated that USD(C)/CFO did not provide posting guidance for these accounts until August 23, 2010. Once fully deployed, GFEBS should have the capability to process all AGF financial activity. During FY 2010, the AGF reported an absolute value<sup>7</sup> of \$517.8 million for the seven USSGL accounts not in GFEBS. See Table 1 for the list of missing accounts.

**Table 1. USSGL Accounts Missing From the GFEBS Chart of Accounts**

<b>Account Number</b>	<b>Title</b>	<b>FY 2010 AGF Trial Balance Amount (thousands)</b>
1341	Interest Receivable – Loans	\$32
1342	Interest Receivable – Investments	37
1345	Allowance for Loss on Interest Receivable – Loans	32
3400	Fiduciary Net Assets	135,244
3410	Contributions to Fiduciary Net Assets	183,498
3420	Withdrawals or Distributions of Fiduciary Net Assets	198,857
6340	Interest Expense Accrued on the Liability for Loan Guarantees	127
<b>Total</b>		<b>\$517,827</b>

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<sup>6</sup> We did not determine whether GFEBS should have processed transactions at the deployed locations as of September 30, 2010, for these accounts.

<sup>7</sup> Absolute value is the sum of the positive values of debit and credit amounts without regard to the sign.

## ***GFEBS Chart of Accounts Excluded Multiple DoD Accounts***

GFEBS did not contain 28 of the 233 DoD reporting accounts that the Army needed for AGF reporting. See Appendix D for a list of the DoD reporting accounts GFEBS did not

*GFEBS, as the AGF target accounting system, should include all the DoD reporting accounts necessary to record AGF financial transactions.*

contain. ASA(FM&C) personnel agreed that 6 of these accounts should have been used for FY 2010 reporting and stated that the remaining 22 accounts were not needed for current GFEBS business processes. GFEBS, as the AGF target accounting system, should include all the DoD reporting accounts necessary to record AGF financial

transactions. The FY 2010 AGF Trial Balance contained an absolute value of \$25.1 billion for these 28 accounts. The ASA(FM&C) should ensure that the GFEBS Program Management Office (PMO) updates the GFEBS COA to reflect these accounts because the Army needs them for AGF reporting.

## **GFEBS Program Documentation Lacked Account Definitions**

Detailed program documentation did not exist to determine whether the Army properly used the 847 posting accounts in GFEBS. Neither the ASA(FM&C) nor GFEBS PMO could provide program documentation defining any of the 847 GFEBS posting accounts. For example, GFEBS contained 228 posting accounts for operating expenses, but the ASA(FM&C) could not provide definitions explaining the purpose of these accounts. ASA(FM&C) and GFEBS PMO personnel stated that they rely on the title of the accounts in the GFEBS COA for the purpose and usage of the accounts. For instance, GFEBS contained an operating expense posting account 6100.22NZ, “OpEx/Pgm Costs – Other.” The account titles did not provide adequate explanation to determine the purpose of these accounts. Written definitions would provide the detail needed to determine whether the Army used the accounts properly.

In addition, the first four digits of five GFEBS posting accounts did not match their corresponding reporting accounts. USSGL permits agencies to expand the four-digit number system in their COAs; however, it does not provide agencies with the authority to change the first-four-digit numbering scheme. Table 2 illustrates these variances.

GFEBS PMO personnel did not provide adequate explanations for crosswalking these posting accounts to nonmatching DoD accounts. They stated that USSGL guidance required that the information in these posting accounts be reported in the nonmatching DoD accounts. However, our review of the account titles showed that the Army may not have complied with USSGL guidance. For example, GFEBS posting account 6400.122G, “OpEx/Pgm Costs – SFIS – Military – Health,” is reported in DoD account 6100.9000, “Operating Expenses/Program Costs,” which is then reported in USSGL account 6100. USSGL guidance states that agencies should use USSGL account 6400, “Benefit Expense,” to report program activities, including the employer’s portion of the contribution to health insurance.



The title for GFEBS posting account 6400.122G implies that this account is for program activity specific to military health benefits. USSGL guidance states that benefits not included in USSGL account 6400, “Benefit Expense,” should be reported in USSGL account 6100, “Operating Expenses/Program Costs.” By not having GFEBS posting account definitions, the Army does not have assurance that it is appropriately applying USSGL guidance and reporting financial information correctly.

**Table 2. GFEBS Posting and DoD Reporting Account Variances**

<b>GFEBS Posting Account</b>	<b>Title</b>	<b>DoD Reporting Account</b>	<b>Title</b>
2110.9999	AP Balancing	2120.9000	Disbursements in Transit
6400.122G	OpEx/Pgm Costs – SFIS – Military – Health	6100.9000	Operating Expenses/Program Costs
6400.12V0	OpEx/Pgm Costs – Civ Separation Allow (CFDH_CFIH*)	6100.9000	Operating Expenses/Program Costs
6400.13S0	OpEx/Pgm Costs – Civ Bnfts Not Otrwise Classified	6100.9000	Operating Expenses/Program Costs
6400.13U0	OpEx/Pgm Costs – Civ Severance Pay Benefits	6100.9000	Operating Expenses/Program Costs

\*CFDH\_CFIH = Civilian Foreign Direct Hire/Civilian Foreign Indirect Hire

## **GFEBS Did Not Consistently Enter Required Attribute Values**

GFEBS did not consistently enter accurate and complete values at the transaction level for 11 of the 20 required USSGL and SFIS attributes reviewed in SL 95 or for 8 of the 20 required attributes in the Z1 ledger. ASA(FM&C) personnel stated that the GFEBS PMO implemented the Z1 ledger in April 2010 to correct issues they had identified in complying with the SFIS requirements. As the Z1 ledger was not available to view transaction-level data until June 2011, we began our review of USSGL and SFIS attributes with SL 95 transactions. The Army must capture the four-digit USSGL account plus applicable attribute values at the transaction level to comply with USSGL and SFIS guidance.

### ***Required Attribute Values Not Consistently Entered in SL 95***

GFEBS did not consistently enter accurate and complete values in SL 95 for 11 of the 20 required attributes reviewed at the transaction level. Although GFEBS consistently entered values for 9 of the 20 reviewed attributes, GFEBS was missing or contained incorrect USSGL values at the transaction level for the remaining 11 required attributes, 10 of which SFIS also required. SFIS guidance did not contain the Prior-Year Adjustment Code attribute. Because this attribute was not included in the SFIS guidance, the Army did not incorporate it into GFEBS. USD(C)/CFO and the Deputy Chief Management Officer (DCMO) should add Prior-Year Adjustment Code to the required SFIS attributes. Without the correct information at the transaction level, the Army cannot comply with the FFMIA requirement to develop a USSGL-compliant financial system.

Table 3 provides a list of the attributes not consistently entered in SL 95. See Appendix E for a list of the attributes reviewed.

**Table 3. Attributes Not Consistently Entered in SL 95**

<b>Required Attribute</b>	<b>Transactions Reviewed*</b>	<b>Transactions With Attributes Not Consistently Entered</b>
Availability Time Indicator	2,776	1,535
Budget Enforcement Act Category Indicator	8,820	2,815
Covered/Not Covered Code	2,033	6
Custodial/Non-Custodial Indicator	3,296	1,900
Definite/Indefinite Flag Code	388	230
Direct Transfer Account Code	16	16
Direct Transfer Agency Code	16	16
Federal/Non-Federal Indicator	32,845	744
Prior-Year Adjustment Code	10,401	10,401
Trading Partner	748	389
Transaction Partner Code	2,050	20

\* We verified that the transactions reviewed contained an acceptable attribute value; we did not determine the correctness of the attribute values in the transactions. In addition, some transactions reviewed were missing multiple attribute values.

### ***Required Attribute Values Not Consistently Entered in Z1 Ledger***

Although the Z1 ledger was created to comply with SFIS requirements, GFEBS still did not consistently enter accurate or complete values for 8 of the 20 required USSGL and SFIS attributes reviewed at the transaction level. Table 4 provides a list of the attributes not consistently entered in the Z1 ledger.

**Table 4. Attributes Not Consistently Entered in the Z1 Ledger**

<b>Required Attribute</b>	<b>Transactions Reviewed*</b>	<b>Transactions With Attributes Not Consistently Entered</b>
Budget Enforcement Act Category Indicator	8,820	2,028
Covered/Not Covered Code	1,810	10
Custodial/Non-Custodial Indicator	3,508	3,505
Definite/Indefinite Flag Code	388	230
Direct Transfer Account Code	16	16
Direct Transfer Agency Code	16	16
Prior-Year Adjustment Code	10,206	10,206
Trading Partner	1,691	1,118

\* We verified that the transactions reviewed contained an acceptable attribute value; we did not determine the correctness of the attribute values in the transactions. In addition, some transactions reviewed were missing multiple attribute values.

In addition, the Z1 ledger did not contain 452 of the reviewed SL 95 transactions processed before April 2010. For 430 of the 452 transactions, GFEBS PMO personnel stated that the transactions had been reversed and no longer had the required information to record them in the Z1 ledger. The system identified 4 of the 452 transactions as clearing documents. GFEBS PMO personnel stated that information needed in the clearing documents was no longer available. The remaining 18 transactions were related to posting accounts 1410.0100, "Advances and Prepayments," and 6100.5000, "Cash Discount Received." These transactions were included in SL 95 but were not recorded in the Z1 ledger.

The Z1 ledger and SL 95 FY 2010 ending balances for each of these two accounts balanced; however, the ledgers contained different FY 2010 beginning balances. As such, the beginning balances may have been adjusted to include transaction amounts not recorded in the Z1 ledger. The data in these two ledgers need to be consistent to provide reliable information for decisionmakers.

## **GFEBS Contained Inadequate Trading Partner Information**

GFEBS did not provide sufficient trading partner information in the FY 2010 GFEBS Trial Balance. GFEBS did not correctly capture trading partner information to facilitate required Intragovernmental Eliminations. Transactions with another Federal entity must contain trading partner information. However, the FY 2010 GFEBS Trial Balance contained 19 reporting accounts identified as Federal that did not include sufficient trading partner information. As a result, GFEBS reported \$48.7 billion to the FY 2010 DoD Agency-Wide Financial Statements without identifying the trading partner. In addition, three reporting accounts contained a Non-Federal attribute value; however, the Business Partner Number<sup>8</sup> indicated the Army should have classified these amounts as Federal. This resulted in GFEBS reporting an additional \$2.8 million without trading partner information.

*GFEBS reported \$48.7 billion to the FY 2010 DoD Agency-Wide Financial Statements without identifying the trading partner.*

The Army must capture the trading partner information at the transaction level to ensure that the required information is reported for Intragovernmental Eliminations. The Army recognized Intragovernmental Eliminations as 1 of 14 reported material weaknesses preventing it from achieving auditable AGF financial statements. The Army has designated GFEBS as part of the solution to correct this material weakness.

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<sup>8</sup> The Business Partner Number identifies entities engaged in buying or selling with the Federal Government.

## **GFEBS Did Not Contain Accurate and Complete USSGL and SFIS Information**

GFEBS did not contain accurate and complete USSGL and SFIS information because USD(C)/CFO personnel did not provide timely updates to the DoD COA and ASA(FM&C) personnel did not provide adequate oversight for maintaining the GFEBS COA or ensuring that GFEBS consistently entered values for all the attributes required by USSGL and SFIS.

### ***DoD Chart of Accounts Was Not Implemented in a Timely Manner***

USD(C)/CFO personnel stated that they did not provide timely updates to the DoD COA because of the volume of changes in the USSGL COA and the formal coordination necessary to approve the updates. USD(C)/CFO issued a DoD COA in March 2008. In June 2008, Treasury added accounts 3400, 3410, 3420, and 6340 to the USSGL COA for FY 2009 reporting. However, USD(C)/CFO did not incorporate these accounts until more than 2 years later, when it issued a revised DoD COA for FY 2010 and FY 2011 on August 23, 2010.

USD(C)/CFO personnel stated that during this time, General Fund working groups were identifying what changes were needed, and they elected to hold off on the release of an updated DoD COA for FY 2010 until the Working Capital Fund working group was completed in April or May 2010. In addition, they stated that because the USSGL updates were expected in June 2010, they decided to wait and include the FY 2011 updates in a single release. Although USD(C)/CFO waited to issue this guidance until 1 month before the end of the fiscal year, it still required the agencies to implement the changes for fourth-quarter reporting of FY 2010, or by September 30, 2010.

USD(C)/CFO should develop and implement procedures to streamline its processes for providing DoD COA updates.

### ***Army Did Not Provide Adequate Oversight for Implementation of USSGL and SFIS Requirements***

ASA(FM&C) did not provide adequate oversight for maintaining the GFEBS COA or ensuring that GFEBS consistently entered values for all the attributes required by USSGL and SFIS. Specifically, ASA(FM&C) did not have

*ASA(FM&C) did not have procedures to ensure that the GFEBS COA was updated in a timely manner, the purpose and usage of the accounts were documented, and the required attributes were consistently entered.*

procedures to ensure that the GFEBS COA was updated in a timely manner, the purpose and usage of the accounts were documented, and the required attributes were consistently entered.

ASA(FM&C) did not have procedures to ensure that the GFEBS PMO updated the GFEBS COA in a timely manner. When asked why this occurred, ASA(FM&C) personnel stated that they did not recognize the extent of their oversight responsibility

until later in the development of GFEBS. ASA(FM&C) had personnel on site providing oversight of the program. USD(C)/CFO issued an update to the DoD COA on August 23, 2010. On November 29, 2010, ASA(FM&C) personnel requested approval from USD(C)/CFO on the Army's methodology for updating the GFEBS COA according to the revised DoD COA. ASA(FM&C) personnel added the DoD reporting accounts to the GFEBS COA. These additions included the 28 DoD reporting accounts not used in GFEBS, which contain 18 accounts that were in the March 2008 DoD COA and 10 that were in the August 2010 DoD COA. However, ASA(FM&C) and GFEBS PMO personnel stated that as of March 31, 2011, they had not updated GFEBS with the capability to post to the added accounts. ASA(FM&C) personnel stated that until business processes were identified, they would not take any action to incorporate additional reporting accounts. ASA(FM&C) should update the GFEBS COA with the capability to post to these 28 DoD reporting accounts.

In addition, ASA(FM&C) did not have procedures to document the purpose and usage of the accounts in the GFEBS COA. ASA(FM&C) and GFEBS PMO personnel stated that titles of the accounts in the GFEBS COA were sufficient explanation of the purpose and usage of the accounts and that no other program documentation existed. In August 2011, ASA(FM&C) personnel provided a draft document describing the purpose and usage of the GFEBS posting accounts. The ASA(FM&C) stated that, as of September 2011, detailed definitions and program documentation existed for 665 of the 847 posting accounts. ASA(FM&C) also developed procedures, effective August 2, 2011, addressing the development of the GFEBS COA; however, these procedures did not address documenting the purpose and usage of the accounts. ASA(FM&C) should update the procedures to document the purpose and usage of the accounts on a continuous basis.

ASA(FM&C) did not provide adequate oversight to ensure GFEBS consistently entered values for all the attributes required by USSGL and SFIS, and thus, GFEBS was not USSGL-compliant at the transaction level and could not meet specific reporting requirements.

*ASA(FM&C) did not provide adequate oversight to ensure GFEBS consistently entered values for all the attributes required by USSGL and SFIS, and thus, GFEBS was not USSGL-compliant at the transaction level and could not meet specific reporting requirements.*

ASA(FM&C) personnel stated that they did not verify attribute values in GFEBS because DoD had multiple standards for attribute values. Therefore, they did not develop procedures to verify the GFEBS attribute values. When we briefed ASA(FM&C) personnel on the results of the audit, they acknowledged that it appeared as if GFEBS did not consistently enter attribute values. ASA(FM&C) personnel stated that they were working on a solution to correct the problems identified with the trading partner attribute.

ASA(FM&C) is responsible for providing timely, accurate, and reliable financial information to enable leaders and managers to incorporate cost considerations into their decisionmaking. ASA(FM&C) is a major stakeholder in the Army's implementation of GFEBS to improve the accuracy and auditability of financial information. ASA(FM&C) should have reviewed and validated the financial data to ensure that GFEBS entered all

required attributes at the transaction level. Therefore, ASA(FM&C) should periodically review the financial data for the required attributes at the transaction level.

## Required Financial Information Was Not Provided

GFEBS did not provide DoD management with required financial information. In addition, GFEBS may not resolve the AGF's long-standing Financial Management Systems and Intragovernmental Eliminations material weaknesses, despite costing the Army \$630.4 million as of October 2011. Therefore, the Army may need to spend more funds than originally budgeted for GFEBS to produce auditable financial statements and provide decisionmakers with accurate and reliable financial information.

The Army's Office of Business Transformation issued the Army Business Systems Information Technology Strategy on February 14, 2011, describing the Army's plan for governing ERP systems and other business systems to ensure that end-to-end business processes support mission requirements. The Army's strategy included implementing transaction-driven and audit-compliant USSGL systems, thereby acknowledging that the successful implementation of its ERP systems was crucial for resolving long-standing material weaknesses, such as Financial Management Systems and Intragovernmental Eliminations, and providing accurate and reliable information on the cost of operations.

ASA(FM&C) should ensure that GFEBS complies with USSGL and SFIS before deploying GFEBS to additional users. The Army has deployed GFEBS to about 24,000 of the 52,000 estimated users. Until the Army increases oversight and develops procedures to remedy these compliance issues and prevent reoccurrences, DoD may not be able to achieve the basic goals and objectives in the Financial Improvement and Audit Readiness Plan. In addition, DoD may not meet the September 30, 2017, audit readiness validation date. Therefore, ASA(FM&C) should not deploy GFEBS to additional users until GFEBS consistently enters all required attributes at the transaction level.

*ASA(FM&C) should not deploy GFEBS to additional users until GFEBS consistently enters all required attributes at the transaction level.*

## Department of the Army Comments on the Finding and Our Response

Summaries of ASA(FM&C) comments on the finding and our response are in Appendix F.

## Recommendations, Management Comments, and Our Response

**1. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in coordination with the Deputy Chief Management Officer, incorporate the Prior-Year Adjustment Code attribute into the Standard Financial Information Structure guidance.**

### ***USD(C)/CFO Comments***

The Deputy Chief Financial Officer agreed and stated that the Prior-Year Adjustment Code would be included in the next release of the Business Enterprise Architecture, scheduled for April 2012.

### ***DCMO Comments***

DCMO agreed and stated that the Prior-Year Adjustment Code would be included in the next release of the Business Enterprise Architecture, scheduled for April 2012. She also indicated that a DCMO and USD(C)/CFO SFIS validation found GFEBS to be compliant with 93 percent of the SFIS business rules, which was one of the higher percentages for systems of this magnitude that they have validated to date. In addition, she stated that the GFEBS PMO has been receptive to the DCMO and USD(C)/CFO recommendations concerning the GFEBS configuration.

### ***Our Response***

The Deputy Chief Financial Officer and the DCMO comments were responsive, and no further comments are required. DCMO personnel performed the SFIS validation on FY 2011 data. Their review found compliance issues with five of the required attributes discussed in this report and also identified that the GFEBS COA did not contain all of the DoD reporting accounts.

**2. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, develop and implement procedures to streamline the processes for updating the DoD Chart of Accounts.**

### ***USD(C)/CFO Comments***

The Deputy Chief Financial Officer partially agreed and stated that several updates were incorporated into the DoD COA update process over the past year. He indicated that while the USD(C)/CFO's mission was to provide updates on a timely basis, ensuring the accuracy and consistency of the guidance was imperative. He stated that a massive cooperative effort to eliminate unnecessary accounts, update inconsistent guidance, and add new accounts delayed the release of the DoD COA in 2010.

The Deputy Chief Financial Officer also stated that the DoD COA was aligned to the USSGL updates issued by the Treasury, usually in late June. He indicated that Treasury regularly issues corrections and clarifications to these updates in August and sometimes later in the new fiscal year. In addition, he stated that while it would not be practicable to release DoD COA updates when Treasury corrections were expected, his office would make the utmost effort to release updates as quickly as possible.

### ***Our Response***

The Deputy Chief Financial Officer comments were not responsive. While he provided additional explanation about the delays in updating the FY 2010 DoD COA and stated that several process updates were incorporated this year, he did not describe the updates

made or discuss how these updates have changed or improved the process. USD(C)/CFO should provide updates to the DoD Components as soon as possible.

Without timely updates, the DoD Components cannot ensure that the financial systems are reporting the required financial information needed to comply with the FFMIA. The DoD Components need sufficient time to incorporate USSGL and SFIS changes into their financial systems to facilitate the correct reporting of financial information. We request that the USD(C)/CFO provide comments on the final report addressing the development and implementation of procedures to streamline the processes for updating the DoD COA.

**3. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller):**

- a. Update the GFEBS Chart of Accounts with the capability to post to the 28 DoD reporting accounts identified in the report.**

***Department of the Army Comments***

ASA(FM&C) did not agree or disagree, but stated that the 28 general ledger accounts were added to the GFEBS COA in February 2011.

***Our Response***

The ASA(FM&C) comments were not responsive. In a draft of this report, we acknowledged that ASA(FM&C) personnel added the 28 general ledger accounts to the GFEBS COA. However, ASA(FM&C) personnel stated they had not updated GFEBS with the capability to post to the added accounts. As a result, GFEBS did not have the capability for recording transactions in all reporting accounts required by SFIS and USSGL.

Without the posting logic, the Army cannot use the accounts and the GFEBS COA cannot be USSGL and SFIS compliant. We request that ASA(FM&C) provide comments on the final report that address updating the GFEBS COA with the capability to post to the 28 DoD reporting accounts.

- b. Update the procedures to document and maintain account definitions in the General Fund Enterprise Business System program documentation.**
- c. Periodically review and validate the financial data to ensure that the General Fund Enterprise Business System enters all required attributes at the transaction level.**

***Department of the Army Comments***

ASA(FM&C) agreed and stated that the Army had updated the COA procedure in August 2011 and would update the definitions portion of the procedure by June 2012 as part of ongoing actions to develop comprehensive general ledger documentation. She also stated that ASA(FM&C) personnel began a review of GFEBS SFIS attributes in



May 2011. In addition, she stated that ASA(FM&C) personnel performed a 100-percent review of Federal Agencies' Centralized Trial-Balance System I and II related SFIS attributes in December 2011 and submitted corrections to the GFEBS PMO. She stated that once the PMO completed the corrections, ASA(FM&C) personnel would review the accuracy of the corrections and add steps to ensure that personnel review financial data when SFIS attributes change. The expected date of completion was March 2012.

### ***Our Response***

The ASA(FM&C) comments were responsive, and no further comments are required.

- d. Discontinue deployment of the General Fund Enterprise Business System to additional users until the system consistently enters all required attributes at the transaction level.**

### ***Department of the Army Comments***

ASA(FM&C) did not agree and stated that the audit was based on GFEBS data as of September 30, 2010. She indicated that at that time, GFEBS was not fully deployed or developed, was transacting less than 2 percent of the Army's obligation activity, and was not configured to meet Treasury reporting requirements. She stated that as a result, the missing ledger accounts and other data elements in the report had little impact on the reliability of the data reported by GFEBS.

### ***Our Response***

The ASA(FM&C) comments were nonresponsive. Successful implementation of GFEBS is critical for the Army to meet its goals of improving the timeliness and reliability of financial information and obtaining a clean audit opinion. To accomplish this, GFEBS must have the capability to process all current AGF transactions as early in development and implementation as possible. In addition, as more users and locations are placed on GFEBS, there is greater risk that correcting identified deficiencies will require extended time and additional funds to correct.

GFEBS, as the AGF target accounting system, should include all the DoD reporting accounts and posting logic necessary to record AGF financial transactions. The Army must capture the four-digit USSGL account plus applicable attribute values at the transaction level to comply with USSGL and SFIS guidance.

We request that ASA(FM&C) reconsider her position and provide comments on the final report addressing how the SFIS and USSGL deficiencies we identified will be fully corrected before further system deployment.

## **Appendix A. Scope and Methodology**

We conducted this performance audit from July 2010 through November 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. The specific objective of this audit was to determine whether GFEBS complied with USSGL and SFIS. Determining compliance with this guidance did not require testing of the timeliness of the financial data. Consequently, we did not determine whether GFEBS provided DoD management with timely financial information. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

We contacted personnel from USD(C)/CFO, Deputy Chief Management Office, ASA(FM&C), Program Executive Office Enterprise Information Systems, GFEBS PMO, and the Defense Finance and Accounting Service to discuss their roles and responsibilities regarding the creation and maintenance of the DoD and GFEBS COAs. We interviewed personnel from Fort Jackson, South Carolina, and Fort Stewart, Georgia, to determine how they used GFEBS to perform their duties. In addition, we reviewed the Army's FY 2010 Annual Statement of Assurance on Internal Controls to determine the Army's previously identified material weaknesses.

We determined whether GFEBS provided DoD management with reliable financial information by reviewing GFEBS for compliance with USSGL and SFIS for FY 2010. We compared the posting and reporting accounts included in the GFEBS COA to the Treasury and DoD requirements for account numbers, titles, and descriptions.

Our review of GFEBS compliance with 20 required attributes consisted of a nonstatistical sample of 48,413 FY 2010 transactions from SL 95 and 48,184 transactions from the Z1 ledger. Of the 847 GFEBS posting accounts, USSGL required attribute values for 823. We attempted to query the FY 2010 transactions for these 823 GFEBS posting accounts; however, not all posting accounts contained transactions for FY 2010. For the 264 posting accounts with activity and attribute requirements, we downloaded transactions from various time frames in FY 2010.

Although the Z1 ledger was implemented in April 2010, users could not view transaction-level data until June 3, 2011. As USSGL and SFIS attributes are required to be entered at the transaction level, the Z1 ledger was not available for use in our original analysis. In February 2011, we asked ASA(FM&C) personnel whether the attribute values in SL 95, which was created to comply with Treasury requirements, would match the corresponding attribute values in the Z1 ledger. ASA(FM&C) personnel stated that this was a valid assumption. In August 2011, ASA(FM&C) personnel indicated that SL 95 was not the correct ledger to complete the SFIS attribute analysis. Therefore, to determine whether the inconsistencies we identified in SL 95 were corrected by the Z1 ledger, we repeated our analysis on the Z1 ledger.

## **Use of Computer-Processed Data**

To perform this audit, we used FY 2010 GFEBS transactional data, trial balance, and the GFEBS COA. We discussed data integrity with financial management and system design experts, agency officials, and officials at organizations involved with developing GFEBS. We validated the accuracy of the GFEBS COA with USSGL and SFIS requirements and reviewed trial balance and transactional data files for anomalies, such as missing or incorrect USSGL attribute values. We used this information to determine whether the Army complied with USSGL and SFIS requirements when developing and deploying GFEBS. We used the Electronic Data Access to review contract and disbursement information. We also obtained the FY 2010 AGF Trial Balance from the Defense Departmental Reporting System–Audited Financial Statements. The data reliability issues we identified are discussed in the finding. We believe the computer-processed data we used were sufficient to support the finding in this report.

## **Use of Technical Assistance**

We did not use technical assistance in performing this audit.

## **Appendix B. Prior Coverage of GFEBS**

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DoD IG), and the U.S. Army Audit Agency (AAA) issued 12 reports discussing GFEBS. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at <https://www.aaa.army.mil/>.

### **GAO**

GAO Report No. GAO-11-53, “DOD Business Transformation: Improved Management Oversight of Business System Modernization Efforts Needed,” October 7, 2010

GAO Report No. GAO-07-860, “DOD Business Transformation: Lack of an Integrated Strategy Puts the Army’s Asset Visibility System Investments at Risk,” July 27, 2007

### **DoD IG**

DoD IG Report No. D-2011-072, “Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program,” June 15, 2011

DoD IG Report No. D-2008-041, “Management of the General Fund Enterprise Business System,” January 14, 2008

### **Army**

AAA Report No. A-2010-0187-FFM, “General Fund Enterprise Business System – Federal Financial Management Improvement Act Compliance, Examination of Requirements Through Test Event 1.4.0,” September 14, 2010

AAA Report No. A-2009-0232-FFM, “General Fund Enterprise Business System – Federal Financial Management Improvement Act Compliance, Examination of Releases 1.4.1, 1.4.2, 1.4.3, and 1.4.4 Requirements,” September 30, 2009

AAA Report No. A-2009-0231-FFM, “General Fund Enterprise Business System – Federal Financial Management Improvement Act Compliance, Examination of Release 1.3 Functionality,” September 30, 2009

AAA Report No. A-2009-0226-FFM, “Examination of Federal Financial Management Improvement Act Compliance – Test Validation, General Fund Enterprise Business System Release 1.2,” September 30, 2009

AAA Report No. A-2008-0263-FFM, “General Fund Enterprise Business System – Federal Financial Management Improvement Act Compliance, Examination of Release 1.3 Requirements,” September 29, 2008

AAA Report No. A-2008-0204-FFM, “General Fund Enterprise Business System – Federal Financial Management Improvement Act Compliance, Examination of Release 1.2 Business Process Designs,” August 14, 2008

AAA Report No. A-2007-0217-FFM, “General Fund Enterprise Business System – Federal Financial Management Improvement Act Compliance, Examination of Release 1.2 Requirements,” September 13, 2007

AAA Report No. A-2007-0187-FFM, “General Fund Enterprise Business System – Federal Financial Management Improvement Act Compliance, Examination of Release 1.1 Requirements,” August 9, 2007

## **Appendix C. Army General Fund Material Weaknesses**

The Army acknowledged the following 14 financial statement material weaknesses in the FY 2010 AGF Financial Statements.

### **Abnormal Account Balances**

Defense Finance and Accounting Service did not detect, report, or take action to eliminate abnormal balances included in the AGF accounting records. Abnormal balances not only distort the AGF financial statements, but also indicate internal control and operational deficiencies and may conceal instances of fraud.

### **Accounting Adjustments**

Because of inadequate financial management systems and processes, journal voucher adjustments and data calls were used to prepare the AGF financial statements.

### **Accounts Payable**

The Army is unable to account for and report accounts payable properly. In addition, the Army accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations for intra-agency sales. Therefore the Army has acknowledged that it was unable to reconcile intragovernmental accounts payable to the related intragovernmental accounts receivable that generated the payable.

### **Accounts Receivable**

The Army has acknowledged weaknesses in its management of accounts receivable. The weaknesses are considered to be DoD-wide and apply to both public and intragovernmental receivables at the AGF level. The weaknesses include:

- noncompliance with policies and procedures on referrals to the Treasury's Debt Management Office and on write-offs of 2-year-old debt;
- a lack of controls to ensure that all entitlement system receivables (vendor pay, civilian pay, and interest) are recorded in the accounting systems; and
- a lack of controls to ensure that accounts receivable balances are supportable at the transaction level.

### **Contingency Payment Audit Trails**

The Army acknowledged that the maintenance of substantiating documents by certifying and entitlement activities creates significant challenges in tracing audit trails for support of financial statements. In addition, the Army acknowledged that some commercial payments contained the minimum supporting documentation but did not comply with other statutory and regulatory requirements. Payments that are not properly supported do not provide the necessary assurance that funds were used as intended.

## **Environmental Liabilities**

The Army has not properly estimated and reported its environmental liabilities. For example, the processes used to report environmental liabilities for the Defense Environmental Restoration Program, Base Realignment and Closure, and the non-Defense Environmental Restoration Program on the financial statements were not adequate to establish or maintain sufficient documentation and audit trails. Although estimators were properly qualified to perform estimates, the Army did not document supervisory reviews of estimates and did not have adequate quality control programs in place to ensure the reliability of data.

## **Financial Management Systems**

Army accounting systems lacked a single, standard, transaction-driven general ledger. The Army also needed to upgrade or replace many of its nonfinancial feeder systems so it could meet financial statement reporting requirements.

## **Fund Balance With Treasury**

DoD and its Components, including the Army, have had long-standing problems in reconciling transaction activity in their Fund Balance with Treasury accounts. The appropriation balances recorded in the accounting records do not agree with the balances held at Treasury.

## **General Property, Plant, and Equipment**

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, “Accounting for Property, Plant, and Equipment” requires that all General Property, Plant, and Equipment be recorded at cost and that depreciation expense be recognized on all General Property, Plant, and Equipment. The Army has acknowledged that real property and military equipment were not recorded at acquisition or historical cost and did not include all the costs needed to bring these assets to a form and location suitable for their intended use. The Army could not support the reported cost of Military Equipment in accordance with SFFAS No. 6. Also, the Army lacks financial accountability systems for all its Military Table of Equipment unit property books that comply with FFMIA.

## **Intragovernmental Eliminations**

DoD is unable to collect, exchange, and reconcile buyer and seller intragovernmental transactions, resulting in adjustments that cannot be verified. This is primarily because the majority of the systems within DoD do not allow the capture of buyer-side information for use in reconciliations and eliminations. The DoD and Army accounting systems were unable to capture trading partner data at the transaction level to facilitate required trading partner eliminations, and DoD guidance did not require adequate support for eliminations. In addition, DoD procedures required that buyer-side transaction data be forced to agree with seller-side transaction data without performing proper reconciliations.

## **Inventory**

Inventories are valued and reported at approximate historical cost using the latest acquisition cost, adjusted for holding gains and losses. The systems do not maintain the historical cost data necessary to comply with SFFAS No. 3, "Accounting for Inventory and Related Property." The systems also are unable to produce financial transactions using the USSGL. SFFAS No. 3 states that Operating Materials and Supplies must be expensed when the items are consumed. However, significant amounts of Operating Materials and Supplies were expensed when purchased instead of when they were consumed.

## **Reconciliation of Net Cost of Operations to Budget**

The SFFAS No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," "requires a reconciliation of proprietary and budgetary information to assist users in understanding the relationship of the data." During FY 2007, the Office of Management and Budget rescinded the requirement to report this reconciliation as the Statement of Financing and now requires the disclosure of the information as a note to the financial statements. The Army is unable to represent accurately the relationship between its budgetary obligations incurred and its Statement of Net Costs.

## **Statement of Budgetary Resources**

The Army accounting systems do not provide or capture the data needed for obligations incurred or prior-year obligations recovered in accordance with Office of Management and Budget Circular No. A-11. Although the Army developed an alternative methodology to calculate these items, the amount of distortion cannot be reliably determined.

## **Statement of Net Cost**

The financial information contained in the Statement of Net Cost is not presented by programs that align with major goals and outputs described in the DoD strategic and performance plans required by the Government Performance and Results Act. Because financial processes and systems do not correlate costs with performance measures, revenues and expenses are reported by appropriation categories. The amounts presented in the Statement of Net Cost are based on funding, obligation, and disbursing transactions, which are not always recorded using accrual accounting. Also, the Army systems do not always record the transaction on an accrual basis as required by U.S. generally accepted accounting principles. To capture all cost and financing sources for the Army, the information presented also includes data from nonfinancial feeder systems. In addition, the AGF budgetary and proprietary information does not correlate.



## Appendix D. DoD Reporting Accounts Not Contained in GFEBS FY 2010 Chart of Accounts

<b>DoD Reporting Account</b>	<b>DoD Reporting Account Title</b>	<b>FY 2010 AGF Trial Balance Amount (thousands)</b>
1310.0910	Accounts Receivable – Undistributed Collections- Appropriation Level	0
1310.0940	Accounts Receivable – Undistributed Collections – Installation Level	\$730,044
1341.8200	Interest Receivable – Loans-Armament Retooling and Manufacturing Support (ARMS)	32
1345.8200	Allowance for Loss on Interest Receivable – Loans – Armament Retooling and Manufacturing Support (ARMS)	32
1399.8200	Allowance for Subsidy – Armament Retooling and Manufacturing Support (ARMS)	735
1610.0400	Investments in U.S. Treasury Securities Issued by the Bureau of the Public Debt – Non-Marketable Market Based	3,167
1611.0400	Discount on U.S. Treasury Securities Issued by the Bureau of the Public Debt – Non-Marketable Market Based	1
1612.0400	Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt – Non-Marketable Market Based	93
1613.0500	Amortization of Discount and Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt – Non- Marketable Market Based-Discount	78
2110.2100	Accounts Payable – Undistributed Disbursements – Appropriation Level	942,740
2140.0200	Accrued Interest Payable – Not Otherwise Classified – PPAI	5,995
2215.0100	Other Post-Employment Benefits Due and Payable – Unemployment	7,940
2985.0100	Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity – Disbursing Officer Cash	1,779,631
2995.9521	Estimated Cleanup Cost Liability – OAEL Active Installations Non-BRAC – Asbestos	240,559
2995.9526	Estimated Cleanup Cost Liability – Chem Weapons Disposal Program – CADM Assembled Chemical Weapons Assesment (ACWA)	5,503,123
3400.9000	Fiduciary Net Assets	135,244
3410.9000	Contributions to Fiduciary Net Assets	183,498
3420.9000	Withdrawals or Distributions of Fiduciary Net Assets	198,857
4350.4650	Canceled Authority – Expired Authority	1,733,805
4350.4800	Canceled Authority – Undelivered Orders	22,043
4350.4900	Canceled Authority – Delivered Orders	10,769
6340.9000	Interest Expense Accrued on the Liability for Loan Guarantees	127

<b>DoD Reporting Account</b>	<b>DoD Reporting Account Title</b>	<b>FY 2010 AGF Trial Balance Amount (thousands)</b>
6800.0100	Future Funded Expenses – Annual Leave Liability	764,838
6850.0800	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated) – FECA – Military Personnel Benefits	2,640
7110.9010	Gains on Disposition of Assets – Other – No BI	980,396
7190.9010	Other Gains – No BI	7,243,188
7210.9010	Losses on Disposition of Assets – Other – No BI	1,121,934
7290.9010	Other Losses – No BI	3,513,817
<b>Total</b>		<b>\$25,125,325*</b>

\*The difference is due to rounding.

**BI** = Budgetary Impact

**BRAC** = Base Realignment and Closure

**CADM** = Chemical Agent Munitions Disposal

**FECA** = Federal Employees' Compensation Act

**OAEL** = Other Accrued Environmental Liability

**PPAI** = Prompt Payment Act Interest

## **Appendix E. Attributes Reviewed**

A description of each of the 20 attributes we reviewed follows.

### **Advance Flag Code**

This attribute indicates that a portion of the appropriation was advanced from a future year or was made available in a prior year.

### **Apportionment Category Code**

This attribute indicates a distribution made by the Office of Management and Budget of budgetary resources by calendar quarters or by other specified time periods, programs, activities, projects, or combinations thereof.

### **Authority Type Code**

This attribute distinguishes among the types of budgetary resources, where it is not possible to do so by the USSGL Account Number Code.

### **Availability Time Indicator**

This attribute indicates whether a budgetary resource is available for new obligations in the current period or in a subsequent period within the current fiscal year or after being reapportioned in a future fiscal year.

### **Budget Enforcement Act Category Indicator**

This attribute indicates whether the Budget Enforcement Act category is mandatory or discretionary.

### **Budget Subfunction Code**

This attribute indicates the subfunctions used in the classification of data according to major purpose served (for example, income, security, or national defense).

### **Covered/Not Covered Code**

This attribute code indicates whether liabilities incurred are covered by realized budgetary resources as of the balance sheet date or are not considered covered by budgetary resources.

### **Custodial/Non-Custodial Indicator**

This attribute indicates a custodial amount, which is reported on the Statement of Custodial Activity or the custodial footnote.

### **Debit/Credit Indicator**

This attribute indicates whether the amount reported is debited or credited to the USSGL account.

**Definite/Indefinite Flag Code**

This attribute indicates whether the amount of the budget authority is definite (a specified amount or amount not to exceed the specified amount) or indefinite.

**Direct Transfer Account Code**

This attribute indicates the Treasury Account Main Code of the other Federal entity involved in transactions with the reporting entity.

**Direct Transfer Agency Code**

This attribute indicates the Treasury Department Code of the other Federal entity involved in transactions with the reporting entity.

**Entity/Non-Entity Indicator**

This attribute indicates assets that the reporting entity has authority to use in its operations or not available to the entity.

**Exchange/Non-Exchange Indicator**

This attribute indicates whether the revenue, gain, or loss balances reported are the result of an exchange of a good or service.

**Federal/Non-Federal Indicator**

This attribute indicates the type of entity involved in transactions with the reporting entity.

**Prior-Year Adjustment Code**

This attribute indicates when changes are made to obligated or unobligated balances that occurred in the previous fiscal year but were not recorded in the appropriate Treasury Appropriation Fund Symbol as of October 1 of the current fiscal year.

**Program Report Category Code**

This attribute identifies a program report category that agencies use when reporting their obligations in their detailed financial information.

**Reimbursable Flag Indicator**

This attribute indicates whether amounts for goods, services, and joint project support are financed by offsetting collections.

**Trading Partner**

This attribute indicates the Treasury Department Code of the other Federal entity involved in transactions with the reporting entity.

**Transaction Partner Code**

This attribute indicates the type of entity involved in transactions with the reporting entity (Federal, non-Federal, or exceptions for other non-Federal partners).

## **Appendix F. Department of the Army Comments on the Finding**

The ASA(FM&C) comments on the finding of the draft report included comments on a discussion draft of the report. Those comments and our responses are discussed below.

### **Incomplete Chart of Accounts**

#### ***ASA(FM&C) Comments***

ASA(FM&C) stated that as of September 30, 2011, the GFEBS COA was updated to include the missing 7 USSGL accounts and 28 DoD reporting accounts and requested that we delete the recommendation to update the GFEBS COA with the capability to post to the 28 DoD reporting accounts. She stated that none of the missing general ledger accounts were required to support the limited transactional processing in the GFEBS user base as of September 30, 2010. In addition, she indicated that it was not possible for the Army to fully comply with the USSGL and DoD COA as of September 30, 2010, because DoD did not formally publish the COA until August 23, 2010.

In addition, ASA(FM&C) stated that the report should not discuss amounts posted in the aggregated AGF financial statements because the audit scope was GFEBS' USSGL and SFIS compliance as of September 30, 2010. She indicated that GFEBS was designed to meet the requirements of the limited user base on the system in September 2010, not the entire AGF.

#### ***Our Response***

In the draft of this report, we acknowledged that ASA(FM&C) personnel added the 28 general ledger accounts to the GFEBS COA. However, ASA(FM&C) personnel stated they had not updated GFEBS with the capability to post to the added accounts. As a result, GFEBS did not have the capability for recording transactions in all reporting accounts required by USSGL and SFIS. Without the posting logic, the Army cannot use the accounts and the GFEBS COA cannot be USSGL and SFIS compliant.

Although ASA(FM&C) stated that the limited transaction processing in GFEBS required none of the missing general ledger accounts, ASA(FM&C) personnel indicated that the GFEBS COA should have included and used 6 of 28 DoD reporting accounts for FY 2010 reporting. To ensure that GFEBS provides the capability to record all AGF transactions, the GFEBS COA should have included all accounts reported in the FY 2010 AGF Trial Balance. The report acknowledges that USD(C)/CFO did not update the DoD COA in a timely manner and recommends that they develop and implement procedures to streamline the update process. However, 18 of the 28 missing reporting accounts were contained in the March 2008 DoD COA issued by USD(C)/CFO.

GFEBS is the target accounting system for AGF. The aggregated AGF financial statement amounts identify the scope of the transactions that GFEBS must be able to process once fully deployed.

## **GFEBS Account Definitions**

### ***ASA(FM&C) Comments***

ASA(FM&C) indicated that, in August 2011, draft documentation existed that described the purpose and usage of the GFEBS posting accounts and, as of September 2011, detailed definitions and program documentation existed for 665 of the 847 posting accounts.

### ***Our Response***

In the draft of this report, we stated that ASA(FM&C) personnel provided a draft document describing the purpose and usage of the GFEBS posting accounts in August 2011. We updated the report to show that ASA(FM&C) indicated that detailed definitions and program documentation existed for 665 of the 847 posting accounts.

## **Inconsistent Attributes**

### ***ASA(FM&C) Comments***

ASA(FM&C) stated that only four of the missing SFIS elements were required to support the limited transactional processing in GFEBS as of September 30, 2010. In addition, she indicated that, as of September 30, 2011, GFEBS had corrected the logic to consistently enter the values for three of the eight SFIS attributes in the Z1 ledger, and that the Army could not correct the remaining five attributes until DoD agreed on the derivation logic for those attributes.

### ***Our Response***

Our review determined whether GFEBS entered required USSGL attributes, and their equivalent SFIS attributes, at the transaction level. USSGL defined which attributes are required by general ledger account; not by type of transaction. Therefore, limited transactional processing in GFEBS would not change which attributes GFEBS was required to enter.

DCMO performed an SFIS compliance review that determined compliance with SFIS business rules and only performed limited transaction testing. Our review determined whether GFEBS was posting the required USSGL and SFIS attribute information at the transaction level.

The results of the DCMO review on FY 2011 GFEBS data identified business rule compliance issues related to five of the attributes discussed in the report. We will determine whether the Army has corrected the posting logic for the eight SFIS attributes during our future reviews of the GFEBS end-to-end business processes.

## **Army Oversight**

### ***ASA(FM&C) Comments***

ASA(FM&C) disagreed with the statement that the Army did not provide adequate oversight to ensure GFEBS complied with USSGL and SFIS criteria. She indicated that, as of March 2011, DoD and the Army had established procedures to review ERP systems for SFIS compliance. ASA(FM&C) stated that the results of the DoD and Army review of GFEBS, conducted in June 2011, concluded that GFEBS was 92-percent compliant with DoD SFIS business rules and the Army had a plan to achieve full compliance by February 2012.

### ***Our Response***

ASA(FM&C) personnel are responsible for providing timely, accurate, and reliable financial information to enable leaders and managers to incorporate cost considerations into their decisionmaking. ASA(FM&C) personnel were not aware that GFEBS was not consistently populating all required attribute values at the transaction level until March 2011 when briefed on the results of the audit. In addition, 18 of the 28 missing reporting accounts were contained in the March 2008 DoD COA issued by USD(C)/CFO. If ASA(FM&C) personnel had provided adequate oversight, they would have established procedures to ensure that the GFEBS PMO updated the GFEBS COA in a timely manner, documented the purpose and usage of the accounts, and ensured that the system consistently entered the required attributes before the audit.

## **Audit Conclusions**

### ***ASA(FM&C) Comments***

ASA(FM&C) disagreed with the report's assertion that GFEBS did not provide required financial information. She also disagreed with the conclusion that GFEBS did not maintain accurate, reliable, and complete financial information. She indicated that the audit was limited to determining GFEBS compliance with SFIS and USSGL elements as of September 30, 2010, and did not examine the correctness of transactional data processed or test the accuracy and completeness of financial information.

ASA(FM&C) indicated that since the Army had not fully deployed GFEBS as of September 30, 2010, and was processing less than 2 percent of the AGF obligation authority, the missing general ledger accounts and other data elements had little impact on the reliability of financial information GFEBS provided. She also stated that the absence of the 7 USSGL and 28 DoD reporting accounts did not materially impact GFEBS' ability to provide accurate financial information because GFEBS activity as of September 30, 2010, did not require the accounts. In addition, ASA(FM&C) requested that we delete the recommendation to stop further deployment of the system until the system consistently enters all required attributes at the transaction level.

Finally, ASA(FM&C) stated that our conclusion that GFEBS might not resolve the Financial Management System and Intragovernmental Eliminations material weaknesses was “pure speculation” given the limited audit scope.

## ***Our Response***

FFMIA required agencies to implement and maintain financial management systems that are in substantial compliance with:

- Federal financial management systems requirements,
- Federal accounting standards, and
- USSGL at the transaction level.

USSGL guidance states that agencies’ systems must capture financial information at the transaction level by recording transactions using the USSGL four-digit account plus attributes. The Army must capture the four-digit USSGL account plus applicable attribute values at the transaction level to comply with USSGL and SFIS guidance. USSGL and SFIS attributes are required financial information. Without accurate and complete attribute information at the transaction level, the Army cannot comply with the FFMIA requirement to develop a USSGL-compliant financial system. GFEBS, as the AGF target accounting system, should include all the DoD reporting accounts and attributes necessary to record AGF financial transactions in accordance with USSGL and SFIS guidance.

The Army developed GFEBS to improve the timeliness and reliability of financial information and obtain a clean audit opinion. GFEBS is due for full deployment July 2012, but as of September 30, 2010, was not meeting its objectives to improve the reliability of financial information and for the Army to obtain a clean audit opinion. Until the Army increases oversight and develops procedures to remedy the compliance issues discussed in this report and prevent their reoccurrence, DoD may not be able to achieve the basic goals and objectives in the Financial Improvement and Audit Readiness Plan. In addition, DoD may not meet the September 30, 2017, audit readiness validation date. Therefore, ASA(FM&C) should not deploy GFEBS to additional users until GFEBS consistently enters all required attributes at the transaction level.

Our conclusion that GFEBS might not resolve the Financial Management System and Intragovernmental Eliminations material weaknesses was based on the results of our review. The Financial Management System material weakness states that the Army needs to upgrade or replace many of its nonfinancial feeder systems so it can meet financial statement reporting requirements. Without the capability to enter all the required USSGL attribute information and post to all the required USSGL accounts at the transaction level, GFEBS will not be able to meet the FFMIA reporting requirements. In addition, transactions with another Federal entity must contain trading partner information. However, GFEBS reported \$48.7 billion to the FY 2010 DoD Agency-Wide Financial Statements without identifying the trading partner. The Army must capture the trading partner information at the transaction level to ensure it reports the required information for Intragovernmental Eliminations.



# Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

JAN 12 2012

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL, FINANCIAL  
MANAGEMENT AND REPORTING, DEPARTMENT OF  
DEFENSE OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Response to Office of the Inspector General (OIG) Draft Report, "General Fund  
Enterprise Business System Did Not Provide Required Financial Information"  
(Project No. D2010-D000FL-0204.000)

The subject Department of Defense (DoD) Office of the Inspector General draft audit report addressed two recommendations to the DoD Under Secretary of Defense (Comptroller)/Chief Financial Officer. Management responses to Recommendations 1 and 2 of the report are attached to this memorandum.

My point of contact in this matter is [REDACTED]. She may be reached by phone at [REDACTED] or by email at [REDACTED].

  
Mark E. Easton  
Deputy Chief Financial Officer

Attachment:  
As stated

DoD OIG DRAFT REPORT – DATED DECEMBER 14, 2011  
PROJECT NO. D2010-D000FL-0204.000

“GENERAL FUND ENTERPRISE BUSINESS SYSTEM DOD NOT PROVIDE REQUIRED  
FINANCIAL INFORMATION”

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
(OUSD(C)) RESPONSE TO THE DoD OIG RECOMMENDATIONS

RECOMMENDATION 1: “We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in conjunction with the Deputy Chief Management Officer, incorporate the Prior-Year Adjustment Code attribute into the Standard Financial Information Structure guidance.”

RESPONSE: CONCUR. The Prior-Year Adjustment Code will be included in the next release of the Business Enterprise Architecture (BEA) 9.0 scheduled for April 2012.

RECOMMENDATION 2: “We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, develop and implement procedures to streamline the processes for updating the DoD Chart of Accounts.”

RESPONSE: PARTIALLY CONCUR. Several updates were incorporated into the DoD Chart of Accounts (COA) update process over the past year. While it is the mission of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) to provide updates to the accounting and reporting entities within DoD on a timely basis, it is imperative to ensure the accuracy and consistency of this guidance. In Fiscal Year (FY) 2011, OUSD(C) worked with the Defense Finance and Accounting Service, the Defense Departmental Reporting System Program Management Office, and the Reporting Entities to eliminate unnecessary accounts, update inconsistent guidance, and add new accounts. This massive effort delayed the release of the DoD COA in 2010. In this process, roughly 15 percent of the DoD COA was updated, including the deletion of 55 legacy accounts and posting guidance clarification of 82 accounts.

However, it is also imperative to note that DoD COA is also tied to and aligned with updates of the United States Standard General Ledger (USSGL) issued by the Department of the Treasury. Annual updates for fourth quarter reporting and updates related to the subsequent fiscal year are normally issued in late June, with corrections and clarifications regularly issued in August and often later in the new fiscal year (e.g., a FY 2012 update was issued in December 2011, with an effective date of October 2011).

Throughout the fiscal year, the Department’s USSGL Representative to the USSGL Board works closely with Treasury staff to obtain the most accurate and up-to-date information. In the consideration of tough economic times and the costs associated with Enterprise Resource Planning implementation across the DoD, it is not deemed practicable to release updates of the DoD COA when additional Treasury corrections and clarifications are expected. The utmost effort will be made to release DoD COA updates as quickly as possible.

Attachment

# Deputy Chief Management Officer Comments



DEPUTY CHIEF MANAGEMENT OFFICER  
9010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-9010

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL (FINANCIAL  
MANAGEMENT AND REPORTING)

SUBJECT: Comments to Draft Audit Report, "General Fund Enterprise Business System Did Not  
Provide Required Financial Information" (Project No. D2010-D000FL-0204.000)

This memorandum responds to your request for comments on one audit recommendation contained in the draft audit report issued December 14, 2011. We concur with the recommendation contained in the subject draft audit report. Our detailed response to the recommendation is provided in the attachment.

[REDACTED] is the point of contact for this response. He can be reached by telephone at [REDACTED] or by email at [REDACTED].

A handwritten signature in blue ink, appearing to read "EMcGrath", is positioned above the name Elizabeth A. McGrath.

Elizabeth A. McGrath

Attachment:  
As stated



**DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR GENERAL (DoDIG)  
DRAFT REPORT DATED DECEMBER 14, 2011, PROJECT NO. D2010-D000FL-  
0204.000  
“GENERAL FUND ENTERPRISE BUSINESS SYSTEM (GFEBS) DID NOT PROVIDE  
REQUIRED FINANCIAL INFORMATION”**

**OFFICE OF THE DEPUTY CHIEF MANAGEMENT OFFICER (DCMO)  
COMMENTS TO DODIG RECOMMENDATION**

**RECOMMENDATION 1:** “We recommend that the Under Secretary of Defense (Comptroller/Chief Financial Officer (USD(C)/CFO), DoD, in coordination with the Deputy Chief Management Officer, incorporate the Prior-Year Adjustment Code attribute into the Standard Financial Information Structure (SFIS) guidance.”

**DCMO RESPONSE:** Concur. The Prior-Year Adjustment Code will be included in the next release of the Business Enterprise Architecture (BEA) 9.0 scheduled for April 2012.

**GENERAL COMMENTS:** Overall, as part of the DCMO/USD(C) SFIS Validation, GFEBS is currently compliant with 93% of the SFIS business rules. In addition, GFEBS has one of the higher percentages for systems of this magnitude that have been validated to date. Further, the GFEBS Program Management Office has been receptive to all recommendations made by the DCMO/USD(C) concerning its configuration.

# Department of the Army Comments



REPLY TO  
ATTENTION OF

**DEPARTMENT OF THE ARMY**  
**OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY**  
**FINANCIAL MANAGEMENT AND COMPTROLLER**  
109 ARMY PENTAGON  
WASHINGTON DC 20310-0109

JAN 12 2012

MEMORANDUM FOR Assistant Inspector General for Audit, Department of Defense  
Inspector General, 400 Army Navy Drive, Arlington, VA 22202

SUBJECT: Army Response to Draft Report Project No. D2010-D000FL-0204.000,  
General Fund Enterprise Business System (GFEBS) Did Not Provide Required  
Financial Information

1. Thank you for the opportunity to review the draft report. We disagree with the report's assertion that GFEBS did not provide required financial information and with the recommendation to discontinue GFEBS deployments until stated issues have been resolved. Enclosure-A provides detailed responses to the report's recommendations.

2. The audit was simply designed to determine if GFEBS contained required general ledger (GL) and Standard Financial Information Structure (SFIS) elements and did not examine the correctness of transactional data processed. At September 30, 2010 none of the missing GL accounts and only four of the missing SFIS elements were required to support the limited transactional processing in GFEBS. At that time, GFEBS was not fully deployed and was processing less than two percent of the Army's entire general fund obligation authority. Consequently, the missing ledger accounts and other data elements the report cites had little impact on reliability of financial information provided by GFEBS. My November 17, 2011 response to your discussion draft at enclosure-B provides additional details.

3. My point of contact for this action is [REDACTED]. She can be reached by e-mail at [REDACTED] or by telephone at [REDACTED].

Dr. Mary Sally Matiella, CPA

Encl



Enclosure: Official Comments  
General Fund Enterprise Business System Did Not Provide Required Financial  
Information  
Project No. D2010-D000FL-0204.000

Recommendation.

3. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller):

- a. Update the GFEBS Chart of Accounts with the capability to post to the 28 DoD reporting accounts identified in the report.

**Completed.** The 28 general ledger (GL) reporting accounts were added to the GFEBS COA in February 2011.

- b. Update their procedures to document and maintain account definitions in the General Fund Enterprise Business System program documentation.

**Concur.** Updated the chart of account procedure in August 2011 to address updating and maintaining GL accounts and will update the definitions portion of the procedure as part of ongoing actions to develop comprehensive GL documentation. Expected date of completion is June 2012.

- c. Periodically review and validate the financial data to ensure that the General Fund Enterprise Business System enters all required attributes at the transaction level.

**Concur.** Began review of GFEBS SFIS attributes in May 2011. Performed a 100 percent review of the FACTS I & II related SFIS Attributes in December 2011 and submitted corrections to the GFEBS PMO. Once the corrections are completed, will verify the accuracy of all corrections; and will add steps to ensure financial data is reviewed when SFIS attributes change. Expected date of completion is March 2012.

- d. Discontinue deployment of the General Fund Enterprise Business System to additional users until the system consistently enters all required attributes at the transaction level.

**Nonconcur.** The audit was based on data processed in GFEBS as of September 30, 2010. At that time GFEBS was not fully deployed or fully developed, was transacting less than two percent of the Army's obligation activity, to include only 25 of 249 appropriation accounts, and was not configured to meet Treasury reporting requirements. Consequently, the missing ledger accounts and other data elements the report cites had little impact on the reliability of financial information provided by GFEBS.

Enclosure A



DEPARTMENT OF THE ARMY  
ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT AND COMPTROLLER  
109 ARMY PENTAGON  
WASHINGTON DC 20310-0109

NOV 17 2011

MEMORANDUM FOR Assistant Inspector General for Audit, Department of Defense  
Inspector General, 400 Army Navy Drive, Arlington, VA 22202

SUBJECT: Reply to Discussion Draft of a Proposed Report, The General Fund  
Enterprise Business System Did Not Provide Reliable Financial Information -- Project  
No. D2010-D000FL-0204.000

1. Thank you for the opportunity to review the discussion draft of the audit of the General Fund Enterprise Business System's (GFEBS) compliance with the United States Standard General Ledger (USSGL) and Department of Defense (DoD) Standard Financial Information Structure (SFIS) (Project No. D2010-D000FL-2-4.000). Based on our review, and additional discussions with your audit staff, we recommend the following changes:

a. Change the audit title to "The General Fund Enterprise Business System Did Not Include all SFIS and USSGL elements as of September 30, 2010." This title is appropriate to the actual audit scope, findings and recommendations.

b. Results in brief should indicate:

(1) As of September 30, 2011, the GFEBS chart of accounts (COA) was updated to include the missing 7 USSGL accounts and 28 DoD reporting accounts.

(2) The absence of these accounts in the GFEBS baseline did not materially impact GFEBS' ability to provide accurate financial information since they were not required for GFEBS activity as of September 30, 2010.

(3) As of March 2011, the DoD and Army established procedures to review Enterprise Resource Planning (ERP) systems for SFIS compliance, and the results of the GFEBS SFIS compliance review conducted in June 2011 concluded that GFEBS is 92 percent compliant with DoD SFIS business rules and has a plan to achieve full compliance by February 2012.

(4) As of September 30, 2011 GFEBS corrected the logic to consistently populate the values for three of the eight SFIS attributes in the Z1 ledger, and that the remaining five attributes cannot be corrected until DoD can agree on the derivation logic for those attributes.

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Enclosure B

SUBJECT: Reply to Discussion Draft of a Proposed Report, The General Fund Enterprise Business System Did Not Provide Reliable Financial Information -- Project No. D2010-D000FL-0204.000


(5) As of August 2011, draft documentation existed that described the purpose and usage of the GFEBS posting accounts. At September 30, 2011 detailed definitions and program documentation existed for 665 of the 847 posting accounts.

- c. Delete all references indicating GFEBS did not maintain accurate, reliable and complete financial information. The audit was limited to determining compliance with SFIS and USSGL elements as of September 30, 2010 and did not test the accuracy and completeness of financial information.
- d. Replace all references to amounts posted in the aggregated Army general fund financial statements with those posted in the GFEBS trial balance. The audit scope was GFEBS' SFIS and USSGL compliance as of September 30, 2010, not the entire Army general fund. At September 30, 2010 GFEBS was deployed to an extremely narrow user base accounting for 1.9 percent of the Army's general fund total obligation authority. The system was designed to meet the requirements of this user base, not the entire Army general fund.
- e. The audit should indicate that none of the 7 missing USSGL accounts, none of the 28 missing reporting accounts, and only four of the missing SFIS elements were required to support the user base at September 30, 2010.
- f. Delete statements indicating Army did not provide adequate oversight to ensure GFEBS complied with USSGL and SFIS criteria. The audit should indicate it was not possible for the Army to fully comply with the USSGL and DoD COA as of September 30, 2010 since DoD did not formally publish the COA until August 23, 2010.
- g. Delete statements indicating GFEBS may not resolve financial system and inter-governmental eliminations material weaknesses. This is pure speculation on the part of the auditors given the limited audit scope.
- h. Delete recommendation-1. This recommendation contradicts guidance provided by the Office of Management and Budget (OMB) regarding the incremental development and deployment of information technology systems.
- i. Delete recommendation-4a. The GFEBS COA was updated as of February 18, 2011 to include the 28 DoD reporting accounts.



SUBJECT: Reply to Discussion Draft of a Proposed Report, The General Fund  
Enterprise Business System Did Not Provide Reliable Financial Information -- Project  
No. D2010-D000FL-0204.000

2. These recommended changes will provide a more accurate report of audit findings  
and recommendations tied to the audit's scope and results. Please feel free to contact  
[REDACTED] should you have further questions.



Mary Sally Matiella, CPA

CF:  
Under Secretary of Defense, Deputy Chief Management Officer  
Under Secretary of Defense, Comptroller/Chief Financial Officer



# Inspector General Department of Defense